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Message Text

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46
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66607
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EA/ROC:KWEAVER
---------- 091765
P 101616Z MAY 75
FM SECSTATE WASHDC
TO AMCONSUL HONG KONG PRIORITY
INFO AMEMBASSY TAIPEI PRIORITY

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E.O. 11652: N/A
TAGS: EFIN, HK
SUBJECT: D-9827/G-54-60 - RECOVERY OF MACHINERY FROM PRESTO TAIWAN LTD.

HONG KONG FOR JOSEPH RAND

1. EXIMBANK REQUESTS THAT RAND TRAVEL TO TAIPEI AS SOON AS PRACTICAL TO ASSIST IN SALVAGE OPERATION AS FOLLOWS.

2. IN MAY 1973, EXIMBANK APPROVED COMMERCIAL BANGK GUARANTEE TRANSACTION COVERING SALE OF SIX ACME-GRINDLEY SPINDLE BAR MACHINES TO NEW ELECTRONICS VENTURE, PRESTO TAIWAN LTD., INTERNATIONAL BUILDING, 6 TUNHUA NORTH ROAD, TAIPEI. REPAYMENT OF TOTAL FINANCED PORTION OF DOLS 279,000 WAS TO BE IN TEN SEMIANNUAL INSTALLMENTS, WITH 20 PERCENT EXPORTER RETENTION ON ALL INSTALLMENTS AND COMMERCIAL BANK (SOCIETY NATIONAL BANK OF CLEVELAND) HAVING COMMERCIAL RISK ON 80 PERCENT OF FIRST FIVE INSTALLMENTS. AMOUNT OUTSTANDING TODAY IS DOLS 255,000. NO CHATTEL MORTGAGE OR OTHER ENCUMBRANCE ON MACHINES.
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3. REPAYMENT ON EACH OF THREE NOTES WAS IRREGULAR FROM OUTSET AS RESULT OF UNEXPECTED STARTUP COSTS AND DEPRESSED ELECTRONICS MARKET. IN JANUARY 1975 MEETING AT EXIMBANK, PRESTO CHAIRMAN, EDWARD REHFELDT, CONCEDED THAT PRESTO UNABLE TO REPAY OUT OF OPERA-

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TIONS AND OFFERED TO RESELL MACHINES TO MEET OBLIGATIONS. TWO
OF SIX MACHINES SUBSEQUENTLY WERE SOLD TO GENERAL INSTRUMENTS TAIWAN,
BUT PROCEEDS REPORTEDLY ARE IN CHANG HWA COMMERCIAL BANK AND HAVE
NOT BEEN APPROVED FOR TRANSFER TO SOCIETY NB IN US DOLLARS.

4. ON APRIL 21, US SUPPLIER (ACME) OFFERED TO REPURCHASE FOUR
REMAINING MACHINES ON CONDITION THAT PRESTO ASSUME ALL EXPENSES
RELATING TO PACKING, SHIPMENT, INSURANCE AND DUTIES. (EXIMBANK
HAS QUERIED EMBASSY TAIPEI CONCERNING WAIVER ON APPROXIMATELY DOLS
48,000 IN DUTIES, BUT QUESTION NOT YET RESOLVED.) FYI ONLY:
RECOVERY OF MACHINES IS FURTHER COMPLICATED BY POSSIBILITY THAT
PRESTO TAIWAN MIGHT BE FORCED INTO BANKRUPTCY, AND MACHINES TURNED
OVER TO RECEIVER. END FYI.

5. RAND REQUESTED TO TAKE FOLLOWING ACTIONS:

1) IN CONSULTATION WITH EMBASSY TAIPEI ECONOMIC SECTION, WHICH
IS FAMILIAR WITH TAIWAN PROCEDURES FOR ATTACHING LIENS, ENGAGE
LOCAL ATTORNEY AND IF DEEMED ADVISABLE ATTACH LIENS ON FOUR
REMAINING MACHINES. APPROPRIATE LEGAL FEES ARE AUTHORIZED;
PLEASE CABLE APPROXIMATE AMOUNT. SUGGEST YOU AVOID FIRM OF PAUL
C. TSAI AND RUCHIN TSAR, WHICH IS SAID TO REPRESENT FNCB,
ANOTHER CREDITOR.

2) IN CONSULTATION WITH EMBASSY TAIPEI, MAKE ANY APPROPRIATE
REPRESENTATIONS TO GRC OFFICIALS CONCERNING (A) EXEMPTION FROM
DUTY ON MACHINES BEING RETURNED, AND (B) CONVERSION AND TRANSFER
OF FUNDS DEPOSITED IN CHANG HWA BANK. IN CONNECTION WITH (A) YOU
MAY POINT OUT THAT WHILE DUTY WAS PAID ON TWO MACHINES SOLD TO
GENERAL INSTRUMENTS, REMAINING FOUR ARE SUBJECT OF REPOSSESSION AND
NOT TRUE IMPORTS.

3) REQUEST REHFELDT AND/OR OTHER RESPONSIBLE OFFICIALS OF PRESTO
TO EXPEDITE RETURN OF FOUR MACHINES TO SUPPLIER, IN ACCORDANCE
WITH REHFELDT'S COMMITMENTS TO EXIMBANK AND SOCIETY NB. BECAUSE
OF UNCERTAINTY CONCERNING PRESTO'S SOLVENCY, RETURN OF MACHINES
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SHOULD BE EXPECITED AND NOT BE SUBJECT TO OTHER OBJECTIVES NOTED
ABOVE.

6. IN ADDITION TO FOREGOING, EXIMBANK WOULD BE INTERESTED IN UPDATE
ON PRESTO'S OVERALL CONDITIONS AND PRSPECTS, INCLUDING ITS RELA-
TIONS WITH OTHER CREDITORS, IF SUCH INFORMATION AVAILABLE.
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